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WORLD SUPPLY AND DEMAND FOR GRAIN, 1974/75

(WITH EMPHASIS ON FOREIGN DEMAND FOR US WHEAT AND CORN)

On file
Department of
Agriculture
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OFFICE OF ECONOMIC RESEARCH
CENTRAL INTELLIGENCE AGENCY

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State Dept. review
completed

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WORLD SUPPLY AND DEMAND FOR CORN, 1974/75

Introduction

This updates our 23 September report on alternative estimates of world export supply and demand for grain (excluding rice). It compares CIA estimates with those of USDA* and, for wheat, with the International Wheat Council. The analysis is aimed at determining the foreign import demand for US wheat and corn in the 1975 marketing year (MY).**

A forecast of the 1974/75 world grain supply/demand still must be very tentative. Supply and export availability estimates include forecasts of coarse grain not yet planted and wheat harvests not completed in the Southern Hemisphere, and final results yet to be published on coarse grain output in the Northern Hemisphere. Demand analysis is hindered by limited knowledge on the full impact of sharp price rises on utilization of grain for feed both here and abroad. Also, there is an incomplete understanding of how worldwide inflation is affecting effective demand.

Appendix A provides a discussion on the grain situation in individual countries.

* All references to USDA estimates in this report refer to those contained in the Foreign Agriculture circular FG23-14, 7 November 1974 and supplemental information.

** The marketing year for wheat is 1 July-30 June and for corn, 1 October-30 September.

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Principal Findings

The 1974/75 world grain situation has tightened over the past 2 months. Total grain production (excluding rice) has dropped another 17.5 million tons, largely feed grains, to 911 million tons.* Thus, a 6% decline in output is now forecast rather than the increase projected in early summer. Most of the recent deduction comes from short corn harvests in the US, Western Europe and the USSR. Wheat production shows only minor changes, but the quality of the grain harvested in Canada and Western Europe is below a year ago.

Grain consumption will be down less than production leading to a further drawdown in ending stocks. USDA estimates, and we agree, that ending stocks will fall by 20 million tons. Most of the reduction will occur in US and USSR holdings. Similarly, the US will account for a larger share of the decline in consumption than the rest of the world; estimated for the US at 16% for feedgrain and 4.5% for wheat.

CIA agrees with USDA's forecast that the world import demand for wheat is now 64 million tons (excluding intra EC-9 trade). Uncertainties about India and Middle East

*Metric tons are used throughout this report.

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intentions could push demand higher. The International Wheat Council places wheat import requirements 2 million tons higher. We estimate maximum export availability of wheat at 64.4 million tons by drawing down Canadian and US stocks. The tight supply/demand balance portends further upward pressure on wheat prices in the coming weeks.

CIA estimates total foreign demand for US wheat and flour in FY 75 at last year's level of 31 million tons (1139 million bushels), 2.4 million tons higher than USDA. This level of export would reduce US ending stocks to a new low of under 5 million tons (179 million bushels). Canadian shipping problems and likely higher import demand by India could put additional pressure on US wheat supplies by January.

The 1974/75 supply situation for corn is tighter than for wheat. Additional cuts last month in US corn production estimates -- the world's largest producer and exporter -- are directly reflected in a 17% drop in total export availabilities from MY 1974 to 36.6 million tons. This is a maximum level and implies a drawdown in US stocks by 30 September 1975 to only a 3 1/2 week supply. CIA agrees with USDA that foreign demand for corn will be down but projects less of a reduction.

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Our import demand estimates closely approximate the export availability of 36.7 million tons. Excess demand, however, will occur if the EC does not hold total corn imports to no more than 9.6 million tons or the Soviet Union makes additional purchases.

CIA estimates that export demand for US corn in MY 75 will be 23.5 million tons (925 million bushels). This compares with USDA's projection of 22.9 million tons (900 million bushels). CIA's higher level of export could be met only if domestic consumption falls lower than now projected by USDA. A further drawdown in stocks is not considered feasible.

Domestic use and import demand estimates are still uncertain due to uncertainties about adjustments that are being made in livestock feeding in both the US and abroad -- especially the EC -- because of (1) higher feed prices, (2) impact of economic slowdown on consumer expenditures, and (3) government actions that might be taken to protect national livestock industries.

US export shipments of both wheat and corn have moved at a slower rate so far this marketing year than a year ago. Activity has picked up in the past month. For the 3 week period ending 29 November, inspections of grain for export moved

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at an annual rate for both wheat and corn that exceeded
USDA and CIA projections for MY 75 (see Charts). This
shipping information is only an indicator and does not in
itself imply a larger export demand than now projected.

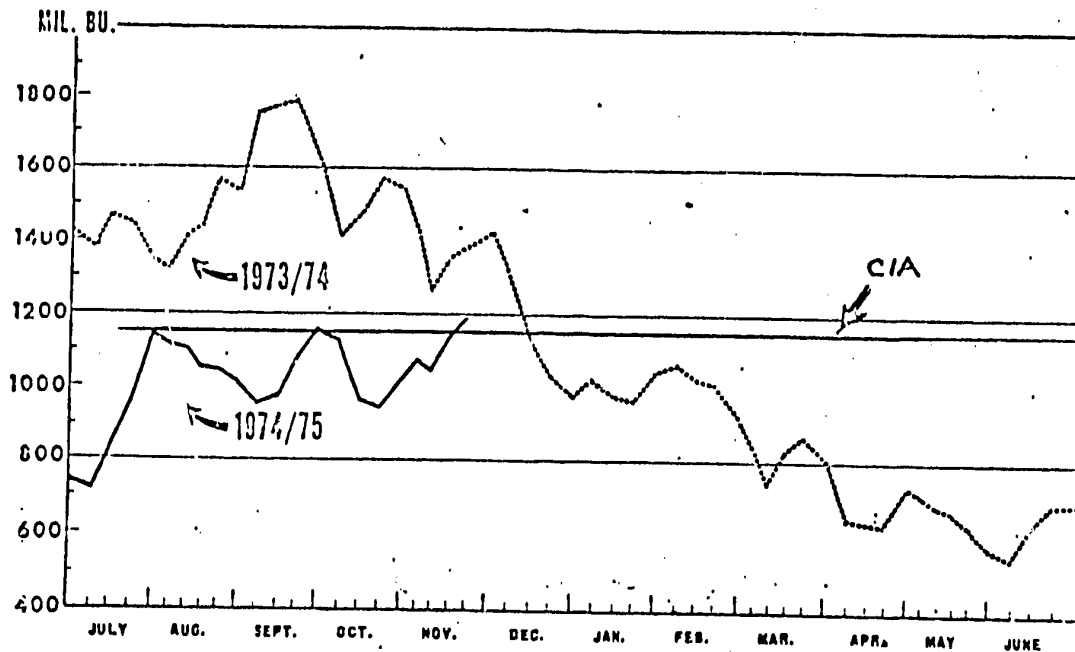
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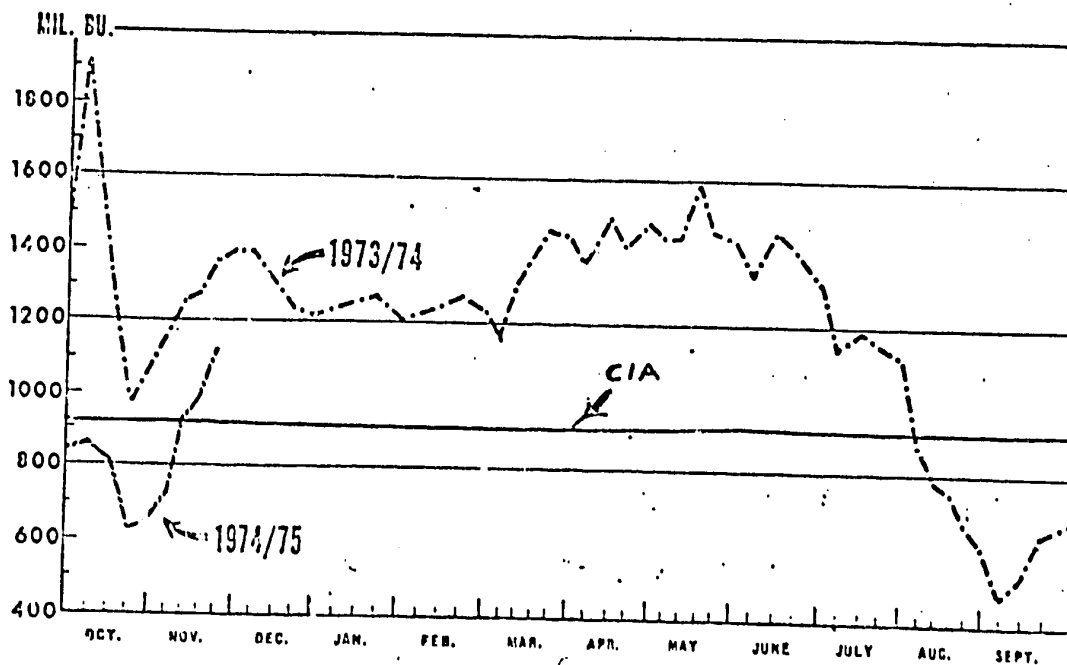
WHEAT WEEKLY EXPORT SHIPMENTS (Annual Rate)

Three - week moving average of inspections for export, converted to annual rate.



CORN WEEKLY EXPORT SHIPMENTS (Annual Rate)

Three - week moving average of inspections for export, converted to annual rate.



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WHEAT: SUPPLY/DEMAND SITUATION 1974/1975

World Production of Wheat, 1974/75

1. World wheat production, according to recent USDA estimates, is expected to fall 15 million tons short of last year's record output of 367 million tons. An International Wheat Council (IWC) press release on 26 November also gave a production forecast that ranged from 15-17 million tons below 1973/74. CIA considers both of these estimates to be on the high side -- partly based on more recent information -- and has reduced USDA's projection by about 5 million tons to 346 million tons, 21 million tons or 6% below last year (Table 1).

2. Important differences in production forecasts for major exporting countries are those for Canada, Argentina and the USSR. We have estimated the impact of unfavorable weather on wheat yields to be more serious in the USSR and Argentina than USDA. For the USSR, the CIA estimate is 5 million tons lower than USDA's 90 million tons. In Argentina, drought damage has lowered earlier wheat estimates by .7 million tons, and the final estimate could be even lower. On the other hand, frost damage to the Canadian wheat crop was less than expected. The quality of the crop is the worst in years, however, with nearly 30% of the crop -- usually 1% -- classified

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Table 1
World Wheat Production^{a/}
(In Million Metric Tons)

<u>Country or Region</u>	<u>1973-74</u>	<u>Projection 1974-75</u>	
		<u>CIA</u>	<u>USDA^{c/}</u>
Argentina	6.7	5.8	6.5
Australia	12.0	11.4	11.0
Canada	16.5	14.2	13.4
East Europe	31.6	33.4	33.9
India	24.9	22.1	22.5
West Europe	50.7	55.3 ^{b/}	55.3
USSR	109.7	85.0	90.0
USA	46.6	48.5 ^{b/}	48.5
Other	<u>68.3</u>	<u>70.6^{b/}</u>	<u>70.6</u>
TOTAL	367.0	346.3	351.6

a/ Production data include all harvestings occurring in the July-June year shown.

b/ No independent estimates made, accepted those of USDA.

c/ Estimates as of 31 October 1974, Wheat Situation, ERS/USDA, November 1974.

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as feed quality. Reports from both East and West Europe indicate that wheat harvest results were better than expected 2 months ago. Nevertheless, the protein content of wheat throughout Europe is lower than last year raising import requirements for hard wheats.

Export Availabilities

3. The estimated availability of wheat for export in FY 75 has increased by about 5 million tons since September. This resulted from a larger than expected harvest in Western Europe and by additional drawdowns in US and Canadian stocks. There is agreement between CIA, USDA, and the IWC estimates that export supplies could exceed the 62 million tons traded in FY 74. We forecast a maximum export availability of 64.4 million tons as compared with 65.6 million tons by USDA and 68.1 million tons by the IWC (see Table 2). The IWC projection of 14.6 million tons for Canada is unrealistic. Transportation problems have already slowed wheat shipments behind a year ago so that Canada will have difficulty moving as much as 10.5 to 11.0 million tons in FY 75.

4. Australia, Argentina, and the EC all have exportable surpluses larger than in FY 74. Both Argentine and Australian shipments, however, will be limited to the amounts shown on Table 2 by transport constraints rather than supply. This

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Table 2
World Exports of Wheat and Flour

<u>Country</u>	<u>FY 73</u>	<u>FY 74</u>	<u>Million Metric Tons</u>		
			<u>Availabilities FY 75^{b/}</u>		
			<u>CIA</u>	<u>USDA^{a/}</u>	<u>IWC^{b/}</u>
Argentina	3.5	1.1	2.2	2.7	2.5
Australia	5.5	5.5	8.6	9.0	8.5
Canada	15.6	11.7	11.0	10.5	14.6 ^{c/}
West Europe	7.3	5.8	6.8	7.5	6.0
USSR	1.3	5.0	3.3	4.5	4.0
US	32.0	31.1	31.0 ^{d/}	29.9 ^{c/}	31.0 ^{c/}
Other	<u>2.7</u>	<u>1.6</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>
TOTAL	67.9	61.8	64.4	65.6	68.1

a/ Estimates as of 1 November 1974.

b/ Estimates released 25 November 1974.

c/ High end of range used

d/ Based on reducing end-of-year carryover grain the current USDA estimate of 7.3 million tons to 4.8 million tons. This level is considered the minimum without disrupting orderly marketing of wheat.

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could change for Argentina if drought damage to the December wheat harvest proves as bad as some early reports. The CIA and IWC estimates of US export availability at 31 million tons will require a drawdown in stocks to a historical low of 4.8 million tons (178 million bushels).

5. Three major sources of uncertainty that could reduce the wheat export supply estimates -- other than the transport problem -- are (1) whether the Canadian Government or wheat board authorize at least a 2 million ton draw down in stocks for export, (2) whether more wheat than now estimated will be used to feed livestock in the EC, and (3) whether the US domestic consumption of wheat is as low as the 713 million bushels now projected by USDA.

World Import Demand for Wheat, FY 75

6. CIA agrees with USDA forecasts that total world import demand for wheat is about 64 million tons (excluding intra EC-9 trade). This represents an increase from September forecasts of 5 million tons for USDA and 3 million tons for CIA. Import demand estimates have been revised upward due to revised sizeable actual expected purchases of wheat in the past month by the USSR, South Asia, and Africa. The needs of South Asian countries, especially India, are not fully reflected in these estimates. IWC estimates imports

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for this region at about 2 million tons higher than CIA. Should financial aid become available to these countries, an additional import of 2 million tons would be realistic. Our estimates of demand are based on current aid programs plus the ability of the country to purchase in commercial markets.

7. Compared to a year ago, the largest increase in import demand is nearly 6 million tons for the Asian region. This reflects the shortfall in grain output for India and Bangladesh, and affluency of the Middle East region. Better harvests and/or drawdown of stocks will reduce the import requirements of Western Europe, the USSR, and South America.

8. Projections of FY 75 import demand for wheat continue to be uncertain due to factors difficult to analyze. These include:

- °Unknown influence of high feed grain prices on use of wheat for feeding livestock;
- °Whether India may divert more foreign exchange or receive more financial aid for grain purchases than now forecast; and
- °Stockpiling policies of certain Middle East countries.

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Foreign Demand for US Wheat

9. CIA forecasts FY 75 export demand for US wheat and flour at 31 million tons (1,139 million bushels), 2.4 million tons above USDA's forecast of 28.6 million tons (1,050 million bushels)*. This compares with exports of 31.1 million tons last year (see Table 3). Our predicted demand for US wheat exports has risen 3 million tons since September. Major upward adjustments were made in sales to the USSR, India, and Iran, which more than offset the 1.3 million tons cancelled by the PRC.

10. CIA estimates by region and selected countries are compared to those of USDA and to shipments plus outstanding export contracts (SOES) as reported by grain brokers to USDA in Table 3. Unlike the situation at this time a year ago when the SOES exceeded the projected exports for the entire year, on 17 November 1974 it represented 88% of projected exports for the year. Only for the European area does the SOES exceed USDA or CIA estimates. Based on last year's experience, some of these contracts -- largely those between US brokers and West European subsidiaries -- will not be fulfilled.

*Mid-point of USDA's projected range of 1,000-1,100 million bushels.

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TABLE 3

ESTIMATED DEMAND FOR US WHEAT AND
FLOUR EXPORTS, FY 75^{a/}

(IN THOUSAND METRIC TONS)

Destination	FY 74	Forecast FY 75 ^b		SOES/ 17 November 1974
		CIA	USDA ^c	
<u>Western Hemisphere:</u>				
Mexico	704	850	850	762
Brazil	1,560	980	1,100	323
Chile	600	700	500	201
Colombia	472	320	340	161
Peru	490	700	600	243
Venezuela	607	540	500	319
Central America	299	335	1,060	205
Others	1,145	630		667
Sub-total	5,877	5,055	4,950	2,881
<u>Europe:</u>				
USSR	2,725	1,340	1,300	1,154
Eastern Europe	851	800	700	625
European Community	2,477	2,665	2,500	3,910
Other West Europe	693	535	300	106
Sub-total	6,746	5,340	4,800	5,795
<u>Asia:</u>				
Japan	3,067	3,200	3,100	2,157
India	1,620	4,000	2,800	2,914
Taiwan	849	590	500	236
People's Republic of China	3,190	1,700	1,750	1,750
Korea, South	1,588	1,700	7,600	1,368
Iraq	459	445		557
Iran	584	1,900	7,600	1,695
Israel	449	300		269
Philippines	385	480	(700)	324
Bangladesh	730	700		319
Indonesia	315	30	(450)	109
Pakistan	544	550		314
South Vietnam	119	100	7,600	0
Turkey	329	750		942
Other	834	985	7,600	437
Sub-total	15,062	17,430	15,750	13,391
<u>Africa:</u>				
Algeria	1,046	1,000	7,600	275
Egypt	713	1,000		296
Morocco	599	400	7,600	487
Nigeria	368	270		165
Sudan	656	170	7,600	59
Others		335		155
Sub-total	3,382	3,175	2,290	1,437

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<u>Destination</u>	<u>MY 74</u>	<u>Forecast MY 75</u>		<u>SOES^{c/} 17 November 1974</u>
		<u>CIA</u>	<u>USDA^{b/}</u>	
Total Wheat			27,790	23,504
Flour and Products	d/	d/	800	d/
Total Wheat and Flour	<u>31,067</u>	<u>31,000</u>	<u>28,590</u>	<u>23,504</u>
Unspecified Destination	---	---	---	1,662
Total Wheat (known and unspecified destination)	---	---	---	<u>25,166</u>

- a/ Marketing year, 1 July 1974 through 30 June 1975
b/ Statistical data shown were supplied by FAS/USDA on 25 November 1974.
c/ Wheat Shipments inspected for export 1 July 1974 through 25 October 1974 plus Outstanding Export Sales as of 27 October for the balance of FY, 1975
d/ Flour in grain equivalent included with individual country's wheat import projections in grain equivalent.

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11. The smaller amount of US wheat on export contracts so far this year probably reflects less panic buying, delayed purchases in hopes of lower prices, and commercial market participants approaching the market in a more orderly fashion. US sales can be expected to pick up substantially during the next 2 months for the following reasons:

- °Major importers such as Japan and India are not covered;
- °Some switching from Canadian to US wheat because of quality problems, especially for Canadian durum;
- °Deterioration of grain export prospects for Argentina; and
- °Transport or labor problems expected to constrain Canadian movement of wheat.

12. The major difference between USDA and CIA export forecasts are in Asia and to a lesser extent Western Europe. The difference on Africa is less than 100,000 tons if you add the 800,000 tons of flour export to USDA's estimate. Flour is included in the CIA country estimates but not USDA's. The major difference in Asia is centered on India. We estimate India's imports at 4 million tons -- a minimum -- or 1.2 million tons more than shown by USDA. Known purchases plus announced PL-480 commitments already total over 3.5 million tons. USDA officials privately agree that the final figure may be raised

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to 4 million tons. For Europe, we estimated that the EC import demand will be up slightly from FY 74 to compensate for a poorer quality wheat harvest and to reflect some shift from Canadian to more US durum wheat.

13. The US can export 31 million tons of wheat this year by a drawdown in carryover stocks for the third successive year. Given this level of export and accepting USDA's Outlook Board projection of 19.4 million tons (7.3 million bushels)* for domestic consumption, carryover stocks on 30 June 1975 would be down to a historical low of 4.9 million tons (179 million bushels). USDA's smaller level of export would permit a small increase (19 million bushels) in carryover stocks.

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14. It should be pointed out, that total US inspections of wheat for export in the 1 July-22 November period were running 4.6 million tons behind a year ago. These data imply an annual rate of export of 28.3 million tons of wheat (excluding flour) or approximately the same as USDA's current

*Mid-point of USDA estimate.

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projection. During the past 3 weeks, however, inspections for export have increased and are running at an annual rate of over 30 million tons. We believe that wheat shipments will continue to pick up in the coming months, with larger movements to the USSR, Middle East and South Asian countries. An even larger bulge could occur in shipping after 1 January if the Canadian longshoremen go on strike as some predict.

CORN: SUPPLY/DEMAND SITUATION 1974/75

15. The world supply/demand situation for feedgrains in 1974/75 has tightened further in the last month. While sluggish economic conditions have brought some relief on the demand side through the declining demand for meat, supply conditions have further deteriorated in recent weeks. The November production estimates for the US indicate an additional decline of 17.5 million tons in feedgrain production from a month earlier. Crop damage from dry weather in the USSR and Eastern Europe has also taken place, resulting in decreases of 2 and 4%, respectively, in feedgrain production -- largely corn -- from last year. A good Southern Hemisphere corn crop earlier this year has helped ease the supply situation but transport problems in Argentina and South Africa still cloud the export picture.

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World Production of Corn, 1974/75

16. World production of feedgrains in 1974/75 is now projected to be down by over 6 percent -- to 564 million metric tons in 1974/75 compared to 603 million tons in 1973/74. Had world production lived up to March expectations, there would have been a 15 million ton increase in world feedgrain production rather than a 39 million ton decrease. Almost 34 million tons of the decrease from last year is in the US alone. World production of corn has declined similarly, with production of the major exporters down by 12% to 141 million tons in 1974/75. Although production in Argentina, South Africa, and Thailand is estimated to be up by nearly 7 million tons, it was not enough to offset a 26 million ton shortfall in the US corn crop. Production in the EC is estimated at 14.6 million tons, a 9% drop from 1973. USSR output also declined by about 2 million tons or 15% below last year.

Table 4Estimated Corn Production of Major Exporters

<u>(million metric tons)</u>		
<u>Exporter</u>	<u>1973/74</u>	<u>1974/75</u>
US	143.3	117.4
Argentina	9.9	10.0
South Africa	4.2	11.0
Thailand	2.4	2.3
TOTAL	159.8	140.7

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Export Availabilities

17. Corn export availability will be sharply limited in MY 1975^{a/} by the production shortfall because stocks are at the lowest level in 20 years. The total export availability of the four major exporters is down by 4.5 million tons (see Table 5). While corn exports of non-US supplies should be up by almost 3 million tons barring further transport difficulties, those of the US will be down by nearly 8 million tons. Another 1.6 million tons should be available for export from the EC Brazil, and Indoensia-- 230,000 tons more than last year-- raising maximum total export availability to 36.6 million tons.

Table 5

Corn Exports of Major Exporters

(million metric tons)		
<u>Exporter</u>	<u>MY 74</u>	<u>Forecast MY 75</u>
US	31.5	23.5*
Argentina	5.2	5.7
South Africa	1.2	3.9
Thailand	<u>2.0</u>	<u>1.9</u>
Total	39.9	35.0

*This represents an export availability assuming USDA's lowest estimate of domestic use and ending stocks; the ending stocks figures of 265 million bushels is 3.5 weeks domestic supply and represents the lowest level to which stocks could be drawn without seriously disrupting the domestic market.

a/ The Marketing year (MY) for corn is 1 October-30 September, unless otherwise noted.

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World Import Demand for Corn

18. Worldwide import demand for corn in MY 75 is estimated at 36.7 million metric tons -- a 17% drop from last year. The lower import demand is due mostly to depressed livestock markets and high grain prices. Livestock producers in Europe -- largely the EC -- are expected to feed about 2% less grain to livestock because of the unfavorable ratio of feedgrain prices to livestock prices. A good wheat crop will permit the EC to feed over 2 million tons more of soft wheat than last year and to cut corn imports by 1.8 million tons. The USSR, contrary to earlier expectations, has entered the corn market for over 2.2 million tons so far this year. On the other hand, the PRC is expected to cut corn imports -- used for human consumption -- by more than 1 million tons due to a good grain crop this year.

19. Importing countries are not actively pursuing policies designed to decrease feedgrain usage, so the decrease in overall import demand is due solely to market forces. The USSR is adhering to its goal of producing more meat to upgrade Soviet diets. Japan is supporting domestic livestock prices via meat import restrictions, thus shoring up the demand for imported feedgrains. The EC is protecting its domestic livestock industry by both limiting meat imports and supporting domestic livestock prices. The largest decrease in corn or feedgrain

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usage seems to be occurring in the US -- currently forecast by USDA at 17% -- where the relatively unprotected livestock industry is badly depressed with no immediate relief in sight. In Europe and Japan, the total grain fed to livestock and in turn import requirements could still fall below current forecasts if grain prices strengthen and those for livestock products weaken further.

Foreign Demand for US Corn

20. CIA estimates foreign demand for US corn in MY 75 at 23.5 million tons -- 600,000 tons above USDA's November estimate of 22.9 million tons.* Shipments plus outstanding export sales (SOES) and 17 November already totaled 31.9 million tons, more than the US exported in MY 74. A comparison of CIA and USDA estimates are shown in Table 6. Major differences in estimates are centered in Europe and Asia.

21. CIA estimates the EC total import needs from third countries at 9.6 million tons of corn -- a drop of almost 16% from the 11.4 million tons imported last year. We estimate that the EC will receive 1.6 million tons of corn from Argentina and 1.0 million tons from South Africa, leaving 7.0 million tons of corn to be obtained from the US or 29% less than the 9.9 million tons last year. USDA also estimates EC imports of US corn at 7.0 million tons. However, both of these estimates

*This is the mid-point of USDA's estimate range of 22.3-23.5 million tons.

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TABLE 6

DEMAND FOR U.S. CORN EXPORTS,
MARKETING YEARS ^{a/} 1974 AND 1975

(In Thousand Metric Tons)

Destination	MY 74	Forecast MY 75		SOESE/
		CIA	USDA ^{b/}	17 November 1974
<u>Western Hemisphere:</u>				
Mexico	1,194	650	---	387
Canada	813	600	---	647
Other	795	825	---	466
Sub-total	2,802	2,075	1,900	1,500
<u>Europe:</u>				
USSR	3,016	1,100	1,100	1,092
Eastern Europe	908	2,400	2,150	2,216
East Germany	152	(1,000)	---	(709)
Poland	483	(1,000)	---	(1003)
Other	273	(400)	---	(504)
European Community	3,854	7,000	7,000	14,102
Other West Europe	3,986	3,225	2,100	2,131
Greece	---	(250)	(100)	(346)
Spain	---	(1,800)	(1,800)	(1,246)
Other	---	(1,175)	(200)	(53)
Sub-total	17,764	13,725	12,350	19,54
<u>Asia:</u>				
Japan	6,382	6,100	7,000	6,762
Taiwan	305	200	0	23
People's Republic of				
China	1,465	50	0	0
South Korea	381	490	} 1,100	559
Other	463	535		373
Sub-total	8,996	7,375	8,100	7,717
<u>Africa:</u>				
	734	335	130	153
Total corn	31,178	23,510	22,480	28,911
Products	406	d/	381	---
Total corn and products	31,584	23,510	22,861	28,911
Unspecified destination	882	---	---	3,034 ^{e/}
Total	---	---	---	31,945

^{a/} 1 October through 30 September of year shown.^{b/} Provided by FAS, USDA: numbers are approximate.^{c/} Corn shipments inspected for export 1 October 1974 through 1974 plus outstanding export sales as of 17 November 1974 for the balance of the 1975 marketing year. Data compiled from USDA, SRS, Grain Market News and from USDA, FAS, Exports.^{d/} Products included with individual countries' corn import estimates.^{e/} Includes 90,000 tons of unsold corn shipped abroad on broker's accounts.

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are based in part on the EC Commission's import estimates and informal commitments to attempt to hold US corn imports from the US to this level.* The EC as of 17 November had already contracted for 14.1 million tons of US corn in MY 74 according to US exporters. However, past experience indicates that (1) all of this will not necessarily be delivered (contracts can be cancelled), (2) corn from other countries may be used to fulfill the contracts, (3) part of the grain will be transhipped to other European countries.

22. Total corn import demand for "other West Europe" is estimated at 5.1 million tons with the US share at 3.2 million tons compared to the USDA estimate of 2.1 million tons. Since USDA has not provided a complete country breakdown for the region we are unable to pinpoint the discrepancy. Total requirements for Eastern Europe are estimates at 2.8 million tons with 2.4 million tons from the US. USDA places US corn exports to Eastern Europe at 2.2 million tons. While the SOES for Eastern Europe and other West Europe combined are lower than our estimates, we believe that transhipments from the EC to both regions will make up the discrepancy.

23. The difference between CIA and USDA estimates for Asia center on Japan with our estimates being about 900,000 tons lower. With Japan's total corn import requirements estimated

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at 8.2 million tons and with arranged imports of 1.0 million tons from Thailand and 1.1 million from South Africa, we agree with the US Agricultural Attache that Japan will need only 6.1 million tons from the US. SOES to Japan were about 6.7 million on 17 November but we expect Japan to cancel some contracts as they did last year.

24. The estimates of both world import demand and US export demand are indicators of market pressures rather than estimates of final exports. Using our estimate of US corn export demand and USDA's latest estimates of domestic production and usage, US stocks as of 30 September 75 would be drawn down to 5.9 million tons, equivalent to about 3 weeks domestic use. Since ending stocks on the order of 6.7 million tons is the minimum required to ensure orderly marketing, US corn exports of 23.5 million tons are not feasible unless domestic use falls below USDA's estimate. Consequently, some additional upward price pressure is indicated unless there are decreases in demand which are not apparent now.

25. Corn moving out of the country began slowly this marketing year, but has picked up in the last few weeks. US corn exports in the 1 October-29 November period were 1.1 million tons less than in the same period last year. While

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this implies an annual rate of export only 22.0 million tons, slightly less than USDA's estimate, the last 3 weeks rate of export implies an annual rate of 28.5 million tons. This rate exceeds both USDA and CIA export projections for MY 1975.

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APPENDIX A
SITUATION IN SELECTED COUNTRIES

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MAJOR EXPORTERS

Argentina

Prolonged drought and hot winds have seriously damaged Argentina's wheat crop and will probably cut the 1974/75 harvest now in progress to 4.8-5.4 million tons; some 20% below last year's production. While higher support prices have been announced for corn and sorghum, they are inadequate in view of higher costs and inflationary expectations. Consequently, feedgrain production may drop by as much as 5%.

Despite an overall net reduction in production of major grains large carryover stocks should provide maximum export availabilities of 2.5 million tons of wheat and 10.5 million tons of feedgrains in US MY 75. Historically, however, actual grain shipments have fallen below estimated availabilities because of inadequate transport and storage facilities, and 1974/75 will be no exception. Lags in deliveries have been reduced somewhat this year, but shipments are still running behind schedule and major bottlenecks can be expected by mid-1975 as corn and sorghum harvests strain handling capacity. Therefore, actual exports of grain will probably be no more than 10.3 million tons or 90% of maximum handling capacity.

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	<u>Production</u>		<u>Exports^{1/}</u>	<u>Projected</u>
	<u>1973/74</u>	<u>1974/75</u>	<u>MY 74</u>	<u>Exports^{1/}</u>
				<u>MY 75</u>
	----- million tons -----			
Wheat	6.5	4.8-5.4	1.1	1.9-2.5
Corn	9.9	10.0	5.7	5.7
Sorghum	5.9 ^{2/}	4.8 ^{2/}	2.8	2.7

^{1/} 1 July-30 June for wheat; 1 Oct-30 Sept. for corn and sorghum.

^{2/} Losses from handling in 1974 were 1.2 million tons and in 1975 are estimated at only 0.3 million tons.

This year about one-third of the Argentine wheat exports will go to Europe, the USSR and Italy being the only purchasers; Asia and Africa will each get about one-fourth and the remainder will go to South American countries. The USSR and a few other European countries are taking about 40% of the Argentine corn exports; Asia, primarily the PRC, about one-fourth; and Latin American countries, including Cuba, the remainder.

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Australia

Australia's last December-January (1973/74) wheat harvest totaled about 12 million tons, third largest on record, resulting mainly from a more than 20 percent increase in acreage.

Taking into account carryover stocks and a projected output of 11.4 million tons from the upcoming 1974/75 harvest, the Australians have 8.5-8.7 million tons available for export during FY 75, about 2 1/2 million tons more than during FY 74. A large share of this amount has already been sold.

The area sown to barley, Australia's second largest grain export, declined last year because of the expansion in wheat acreage. Still, a good crop was harvested and production in 1974 was up nearly 40% over 1973. The outlook is for a harvest of some 3.2 million tons next spring, which should leave 1.9 million tons of barley available for export during FY 75, compared with an estimated 1.2 million tons exported during FY 74.

	Production		Exports	Export Availability
	1973/74	1974/75	FY 74	FY 75
	-----million tons-----		-----million tons-----	
Wheat	12.0	11.4	6	8.5 - 8.7
Barley	2.4	3.2	1.2	1.9

Canada

Wheat: Estimates for Canada's 1974 wheat harvest have ranged from 13.4 million tons to 14.3 million tons -- down from last year's level of 16.5 million tons. Early official

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Canadian estimates placed the harvest at 14.3 million tons but did not take into account killing frosts in late September. The USDA recently adjusted its estimate of the Canadian harvest down to 13.3 million tons and expects it to go lower. Recent comments from the Canadian Wheat Board, however, indicate that the final figure might be closer to the original 14.3 million ton estimate because of recent good weather. The extent of the damage will be more fully known when the Canadian government releases its latest official estimates on 22 November.

	<u>Production</u>		<u>Exports</u>	<u>Export</u>
	<u>1973/74</u>	<u>1974/75</u>	<u>FY 74</u>	<u>Availability</u>
				<u>FY 75</u>
Wheat	16.5	14.2	11.5	10.5
Barley	10.2	8.8	2.7	2.7

Equally significant as the output shortfall is that the early frost adversely affected the quality of this year's harvest. Trade sources estimate that no more than 36% will grade No. 1 & 2 CWRS milling wheat as compared with 60%-70% in a normal year. Another 34% is expected to grade No.3 CWRS milling. Utility wheat -- suitable only for feeding livestock -- is expected to account for about 30% compared to the usual 1% of the crop.

Despite a smaller output, exports could still reach about 10.5 to 11.0 million metric tons (assuming 14.2 million ton harvest) if the Canadians draw down stocks by 2.3 million tons to 6.0 million

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by 31 July 1975.

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The 1 August 1975

stocks at 10.3 million tons were equivalent to a two year domestic supply. Canada has not sold any major quantities of wheat since early July and officially suspended export sales in October pending new crop estimates. To date, about 7.7 million tons have been contracted for export.

The level of wheat exports may be lower than 10.5 million tons depending on final discussions about size of stock carryovers, quality of harvest, and pricing policies of the Canadian Wheat Board. In FY 74, the Canadian Wheat Board raised its prices well above those of the US market in anticipation of shortages in the United States. If a similar policy is followed again this year, export volume would tend to be depressed, especially for sales to LDCs already hard pressed by high oil import costs. Also if feedgrain prices escalate, Canada may use its limited transport capacity to export more feedgrains instead of wheat.

Feedgrains: Canada, a net importer of corn, probably will import 700,000 tons from the US in FY 75 compared to 785,000 tons in FY 74. The large amount of poor quality wheat harvested

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will make more available for livestock feeding this year. The barley harvest this fall is expected to reach only 8.8 million tons, about 14% below the 1973 crop. Increased stocks, however, will probably make about 2.7 million tons available for export in FY 75, the same as in FY 74.

South Africa

South Africa is the world's third largest exporter of corn. Most of South African corn exports during the US 1974/75 corn marketing year will come from the record 11 million ton crop harvested in April - June 1974. Carryover stocks from the 1973 harvest were at a record low. Assuming an average harvest in 1975, the government of South Africa will make surpluses available from the 1974 crop for export in MY 75 up to the transport capacity of about 4 million tons. This represents a dramatic increase over the 1.2 million tons exported in the previous US marketing year. Based on trends previous to last year's poor harvest, Japan can be expected to purchase about 1.1 million tons and the UK about 1 million tons. Taiwan has contracted for about 450,000 tons. Most of the remainder may go to other Asian countries and Venezuela.

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Western Europe

European grain production in 1974 has set a record of 139 million tons -- 4% higher than last year -- according to preliminary estimates. The high output results from an expanded grain area of nearly 1 million hectares; yields are approximately the same as last year's level. Most of the increased area was sown to wheat, thus contributing to a boost in wheat output of 4.6 million tons or about 9%. Production of coarse grains may be up slightly to 83.7 million tons but has been hurt by dry weather. Major gains in grain production will be registered by Spain, France, Italy, and Sweden.

Wheat: Only about one million tons of wheat is expected to be available for export by Western Europe from other than the European Community (EC). Given the record harvest of wheat and large carryover stocks in the EC, an estimated 14-15 million tons should be available for export or for livestock feed. Because of the poor US corn crop with resultant high prices on the world market and US official pressure on the EC to reduce feedgrain imports, the US will probably feed 2 to 3 million tons more wheat to livestock than last year. The EC is raising wheat export levies which should help keep internal wheat prices below corn prices, stimulating

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the use of wheat for livestock feed. Even though more wheat will be going to livestock than last year, the record harvest and large stocks will enable the EC to raise exports of soft wheat to 5.8 million tons from last year's 5.4 million tons. Most of this wheat (including flour) will go to India, regular customers in Africa, and to fulfill food aid commitments. Considerable uncertainty surrounds the total export level at this time.

The main wheat importing area in Western Europe is also the EC, which we estimate will import about 4 million tons (excluding intra-EC trade) in FY 75, about the same as in FY 74. Hard wheat as well as durum is used for mixing with the domestic soft wheats by the milling industry. The ultimate level and type of imports will depend not only on the size of the harvest but also on milling quality and protein content of the wheat. There are reports that the demand for high quality protein wheat by EC millers is greater than a year ago. The lower supply of high grade Canadian wheat will strengthen demand for US No.2 Hard Red Winter wheat.

Feedgrains: Western Europe is a large net importer of feedgrain, especially corn. In FY 74, the region's net feedgrain imports were 21.4 million tons. The US sold over 15 million tons

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of these feedgrains -- mostly corn -- to the region including 11.5 million to the EC.

According to a 1 November forecast of the USDA, Western Europe's FY 75 net imports of feedgrains are to drop 5.4 million tons to 16 million tons. This reduction is based on a drop of 1-2% in the total grain fed livestock coupled with the expanded feeding of domestic wheat. In turn, EC corn imports in MY 75 from the US are estimated at 7.0 million tons -- about 2.8 million tons less than last year -- out of a total import requirement of 9.6 million tons. The remaining corn import needs will be met by Argentina and South Africa.

Considerable uncertainty remains in the estimate that the EC will significantly reduce US corn imports to 7.0 million tons. Export contracts for corn as reported by US brokers on sales to Western Europe are running at about 14 million tons. Undoubtedly these data are inflated as a hedge against possible imposition of US export controls and includes some corn for shipment to Eastern Europe in other West European countries, but there is no way of knowing how much. Even if the EC does reduce corn purchases from the US, the corresponding decrease in EC wheat exports will shift pressure from the US corn market to the wheat market.

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MAJOR IMPORTERS

WESTERN HEMISPHERE

Brazil

Wheat: A 45% increase in wheat production to about 2.8 million tons is expected from the December harvest. This combined with some reduction in stocks will decrease the need for imports from 2.8 million in FY 74 to 1.5 million tons in FY 75. FY 75 wheat imports from the US are estimated at nearly 1 million tons, compared with 1.6 million in FY 74.

Corn: The corn crop during MY 75 is expected to exceed moderately the 15 million tons produced last year. Brazil's exports probably will continue to recover from their suspension in 1973 and could reach 1.0 million tons in MY 75 although 700,000 tons is a more likely export volume. MY 74 exports were 600,000 tons.

Chile

Wheat: Wheat imports in FY 75 are forecast at 950,000 tons, below last year's level of about 1.1 million tons. Earlier forecasts for a substantial rise in wheat output and a big decline in imports have been revised because heavy rains and flooding delayed plantings and destroyed about 10% of the winter wheat crop. Chilean wheat consumption is stagnating, in part, because of an April 1974 decree limiting wheat use to human consumption. It is estimated that 700,000 tons of the FY 75 wheat imports will come from

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the US, 115,000 tons more than during FY 74. About 200,000 tons of US wheat have been contracted for delivery in FY 75 of which about 100,000 tons have been shipped. The US is supplying 100,000 tons of wheat under a PL-480 credit and is expected to supply an additional PL-480 credit for 100,000 tons during FY 75.

Corn: Corn imports this year are expected to decline slightly to 250,000 tons -- about 25,000 tons below last year. An excellent crop this year and forecasts for higher output next year will enable Chile to reduce imports while increasing total consumption. The increase will be used mainly for animal feed. US corn will probably account for 150,000 tons of this year's imports compared with 126,000 tons last year.

Colombia

Assuming favorable weather conditions, production of most grains will increase substantially this crop year, reflecting success of government efforts to stimulate agriculture with credit, technical assistance, and price supports. Output of wheat is expected to increase by 80% to about 100,000 tons and corn by 30% to 760,000 tons. Elimination of the wheat import subsidy in mid-September, higher wheat prices, and a government program to encourage the use of wheat substitutes in baking will discourage imports

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in FY 75. The combined effect of these measures will probably be to hold wheat imports at around 360,000 tons compared to 470,000 tons last year. About 90% of the wheat imports will come from the US.

Mexico

Wheat: Wheat production in FY 75 is estimated at 2.2 million metric tons, up 10% from FY 74. However, consumption is also increasing at a rate of about 10% per year and is expected to result in imports of roughly 850,000 tons, all from the US. Purchases of US wheat for FY 75 already total over 770,000 tons. Mexico took 706,000 tons of US wheat in FY 74.

Corn: Widespread crop damage has tripled the earlier estimate of corn import needs in MY 75 to 1.3 million tons, mostly from the US and Argentina. Corn production is now estimated at 8.1 million tons, 15% below initial forecasts. Early frost reduced the crop by an estimated 700,000 tons, and scattered damage has been reported from drought and hurricane Fifi.

Peru

Wheat: Peru's FY 75 wheat production is estimated at about 160,000 tons, 7% over last year. The government expected to reduce imports this year by about 8% to 720,000 tons through

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higher domestic prices and government import restrictions. A more realistic estimate by the USDA attache' puts import needs at about 965,000 tons if shortages are to be avoided. The higher estimate means that Peru will probably need about 700,000 tons from the US. About 374,000 tons have been scheduled for delivery from the US during the first half of this calendar year. Total imports could reach nearly 1.2 million, however, if Peru's request for 200,000 tons on CCC credit is approved.

Corn: Corn production will decrease slightly, about 3%, this year due to shifts from corn to cotton production and short fertilizer supplies. Corn import needs could exceed 300,000 tons, 75% of which will be purchased from the US. About 220,000 tons of US corn went to Peru last year.

Venezuela

Wheat: Little wheat is grown in Venezuela and because stocks are low wheat imports in FY 75 should be around 600,000 tons compared to 580,000 tons in FY 74. Imports of US wheat are estimated at 540,000 tons in FY 75, of which over 300,000 tons are already purchased.

Corn: While 1974 corn production is expected to be up by 25%, an increase in corn imports is expected in FY 75 -- to at least 300,000 tons from 275,000 tons in FY 74 -- because of

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strong demand and government policy to increase poultry, pork, and dairy production. Most of Venezuela's imports are expected to be South African and Argentine corn.

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ASIABangladesh

We estimate FY 75 foodgrain production at about 12 million tons, the same as last year. Although summer floods slightly damaged the last summer rice crop which normally accounts for 25% of production, the flooding should improve the major rice harvest starting in November which normally provides 60% of annual production.

We estimate foodgrain imports in FY 75 at 2 million tons -- including 1.7 million tons of wheat and 300,000 tons of rice. (Imports in FY 74 totaled 1.7 million tons made up of 1.6 million tons of wheat and 100,000 tons of rice.) Imports of 2.0 million tons -- if achieved -- will maintain government rationing in urban areas for the remainder of FY 75 and allow for a slight increase in government relief. Insufficient imports during September and early October resulted in more hunger than usual prior to the major fall harvest. Bangladesh will remain vulnerable to such disruptions in imports.

Imports already arranged for FY 75 total about 1.4 million tons, including 250,000 tons of PL-480 wheat and rice shipments. Acquisition of the remaining 600,000 tons is largely contingent on receipt of additional foreign assistance. Bangladesh will remain dependent on aid-financed grain imports

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in the foreseeable future.

Burma

Wheat: Severe floods during August this year probably destroyed about 500,000 tons of rice, or about 10% of Burma's annual output. This loss further eroded the country's precarious foreign exchange position and has accentuated the already tight domestic food situation. The rice destroyed was roughly equal to past annual exports and represents a prospective loss of at least \$150 million. Food shortages earlier this year led to civil rioting in June, prompting a halt in rice exports and government promises to alleviate shortages of food and other consumer goods through imports.

Burma would like to import 40,000 tons of wheat in FY 75. The Burmese delegation attending the IMF/IBRD Governor's meeting in Washington in late September sounded out US officials on aid, citing the recent flood losses as justification, but got no commitments. If aid is not forthcoming from other sources, Burma will probably import only about 15,000 - 20,000 tons of wheat in FY 75, mostly from Australia.

Corn: Burma imports no corn, but produces about 140,000 tons of corn for domestic consumption.

Cambodia

Wheat: Cambodia produces no wheat domestically, and corn production is a small fraction of pre-war levels. Wheat

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imports come exclusively from the US and are expected to be 35,000 tons for FY 75.

Corn: Corn, once an important export, now is imported primarily for animal feed. Domestic corn output is very sensitive to the ever-changing security situation. The Cambodians have requested 5,000 tons of corn in FY 75 from the US, and most of this amount will probably be delivered between now and the end of September 1975.

India

India faces serious foodgrain shortages which will persist at least until the 1975 fall harvest. Below normal monsoon rains damaged this year's fall crop which is estimated at 58-60 million tons, depending on conditions through the harvest. The 1973 fall harvest totaled 67 million tons. The current situation is analogous to 1972 when wide-spread food shortages were last experienced. While this fall's harvest should be larger than the drought-reduced fall harvest of 57 million tons in 1972, India is not better off than 2 years ago because:

- °government grain stocks on 1 July 1974 were only 4 million tons compared to 9 million tons on 1 July 1972; and

- °India has 25 million more people than in 1972.

A poor harvest will increase pressure on the government's grain distribution system, which provides subsidized grain sales

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in urban and other select deficit areas. In FY 74 11 million tons were distributed by the government, compared with 11.7 million tons in FY 73. A minimum of 12 million tons will be needed in FY 75. Judicious distribution of this grain by the government should reduce the incidence of urban food riots but will do little to alleviate widespread hunger in rural areas.

Imports and government procurement of domestic grains make up government supplies. To distribute 12 million tons of grain, the government will need 6-7 million tons of imports in FY 75. We believe India will not push grain imports much above 7 million tons without more grain provided as aid. The remaining grain for government distribution will come from stocks -- 4 million tons on 1 July -- and government procurement which we estimate at 2 million tons from the fall harvest. Procurement from the spring harvest will be too late to provide much for distribution in FY 75.

To date India has arranged 6.0 million tons of grain imports, as follows:

- ° 3.1 million tons of commercial US purchases, and 300,000 under PL-480;
- ° 1 million tons of EC wheat including 300,000 as aid;
- ° 430,000 tons of sorghum and 250,000 tons of wheat purchased from Argentina;
- ° 500,000 tons of Canadian wheat, including 140,000 tons as food aid;

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°340,000 tons of Australian wheat including 40,000 as grant aid; and

°100,000 tons of Soviet wheat due from last year's grain loan.

Indonesia

Wheat: Since no wheat is produced in Indonesia, consumption needs are met by import which will be about 730,000 tons in FY 75. The government has requested 100,000 tons of PL-480 wheat that will probably not be granted. About 140,000 tons have been scheduled through grant arrangements with Australia and Western European countries. The remainder will be purchased commercially mainly from Australia, with small amounts from Canada and the US.

Corn: Corn production in Indonesia is sufficient to meet domestic needs, and no imports are planned for the period. Exports destined primarily for other Southeast Asian countries should reach 250,000 tons.

Iran

Wheat: Iran is buying nearly 1 million tons of wheat more than previously estimated. Lack of rainfall in April, May and June seriously affected dry-land wheat and a large portion of so-called irrigated wheat. FY 75 production has been revised down to 3.7 million tons, compared with 3.95 million tons harvested last year, and the consumption estimate